

**STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS**
www.corp.ca.gov

INFORMATION TO ASSIST PERSONS MAKING A NOTICE FILING

The material presented here is to assist persons desiring general background information concerning the notice filing requirements in California. No interpretation of any law or regulation is intended.

Any person that is registered with the Securities and Exchange Commission ("SEC") as an investment adviser may not conduct business in this state unless the person has fewer than six clients as specified in California Corporations Code Section 25202 or unless the person makes a notice filing with the California Corporations Commissioner ("Commissioner").

1. STATUTE & RULES

The laws and rules governing investment advisers in California are found under the California Corporations Code ("Code") and Title 10, Chapter 3, California Code of Regulations ("CCR"), respectively. The sections of the law that relate specifically to broker-dealers and investment advisers begin at Section 25200. The other sections of the law relate to general securities law. The rules for broker-dealers and investment advisers begin at Section 260.200.

The Code and CCR may be found through links on the Department of Corporations ("Department") web site at www.corp.ca.gov. The links are www.leginfo.ca.gov/calaw.html and ccr.oal.ca.gov, respectively. The rules are also available at the offices of County Clerks or County Law Libraries and 100 state depository libraries. It is available in loose-leaf form from the publisher, West Group. For information, contact West Group at 1-800-888-3600.

2. NOTICE FILING REQUIREMENTS [CCR 260.230.1]

(a) **INITIAL NOTICE** - The initial notice is to be filed with the Investment Adviser Registration Depository ("IARD") on Form ADV in accordance with the instructions in Form ADV and is to be filed within thirty (30) days of conducting business in California. The notice will be considered filed when the filing fee and Form ADV are filed with and accepted by IARD. The fee for filing an initial notice is \$125.

(b) **PART 2 OF FORM ADV** - You are not required to file Part 2 of Form ADV with the Commissioner unless requested. Part 2 of Form ADV is to be filed within five (5) days of the date the request is made. Once Part 2 of Form ADV can be filed with IARD, Part 2 of Form ADV is to be filed directly with IARD.

(c) **ANNUAL RENEWAL** - The notice expires December 31st unless renewed. The annual notice fee is \$125 and is to be sent to IARD in accordance with its procedures. The notice will be considered renewed when the fee is received and accepted by IARD.

(d) **AMENDMENTS TO FORM ADV** - Changes to the information contained in Form ADV are to be filed with IARD in accordance with the instructions in Form ADV.

(e) **INVESTMENT ADVISER REPRESENTATIVES** - Each investment adviser representative with a place of business in California must meet the qualification requirements found in CCR Section 260.236 and be reported in the manner prescribed in CCR Section 260.236.1(b).

(f) **SWITCHING TO STATE REGISTRATION** - Upon the filing of Form ADV-W withdrawing registration with the Securities and Exchange Commission ("SEC"), an investment adviser may not conduct business in California as an investment adviser until the investment adviser has secured a certificate from the Commissioner or unless the investment adviser is otherwise exempt. An investment adviser may file an application for an investment adviser certificate in accordance with the instructions in CCR Section 260.231 prior to the date the investment adviser's registration with the SEC is subject to termination.

3. INVESTMENT ADVISER REPRESENTATIVE

Investment adviser representative ("IAR") is defined in Corporations Code Section 25009.5(b) as any person defined as an investment adviser representative by Rule 203A-3 of the Securities and Exchange Commission ("SEC") and who has a place of business in California. An investment adviser representative is defined in Rule 203A-3 as a supervised person of the investment adviser who has more than five clients who are natural persons (other than excepted persons) and more than ten percent of whose clients are natural persons (other than excepted persons). A supervised person is not an investment adviser representative if the supervised person does not on a regular basis solicit, meet with, or otherwise communicate with clients of the investment adviser or provides only impersonal investment advice. (This is not a complete definition. See Rule 203A).

Place of business is also defined in Rule 203A-3 as an office at which the investment adviser representative regularly provides investment advisory services, solicits, meets with, or otherwise communicates with clients and any other location that is held out to the general public as a location at which the investment adviser representative provides investment advisory services, solicits, meets with, or otherwise communicates with clients.

The complete text of Rule 203A may be found through a link on the SEC web site at www.sec.gov.

QUALIFICATION REQUIREMENTS [CCR 260.236]

(a) Each investment adviser representative ("IAR") must qualify by passing the examination(s) as specified in CCR Section 260.236(a). Each IAR must pass, within two years prior to the date of becoming engaged as an investment adviser representative, the Series 65/Uniform Investment Adviser Law Examination in effect on January 1, 2000 ("2000 Series 65 Examination"), or the Series 7/General Securities Representative Examination ("Series 7 Examination") and the Series 66/Uniform Combined State Law Examination ("2000 Series 66 Examination").

(b) Waivers: The requirements of CCR Section 260.236(a) do not apply to:

(1) Any investment adviser or individual employed or engaged as an investment adviser representative registered, reported or licensed in any state of the United States as of December 31, 1999.

(2) Any investment adviser or investment adviser representative who has been actively and continuously engaged in the securities business as a broker-dealer, an agent of a broker-dealer, an investment adviser, or an investment adviser representative without substantial interruption (two or more years) since passing the (a) Series 2 Examination (SECO/NASD Nonmember General Securities Examination) or Series 7 examination before January 1, 1998, or (b) the Series 65 Examination or Series 66 Examination before January 1, 2000 and the Series 7 Examination.

(c) Exemptions. CCR Section 260.236(a) does not apply to:

(1) Any individual who has been registered as an investment adviser or employed or engaged as an investment adviser representative in any state for two consecutive years immediately before the date of filing a notice in this state. This provision does not apply to an individual using the exemption in CCR Section 260.236(c)(2).

(2) Any investment adviser representative employed by or engaged by an investment adviser only to offer or negotiate for the sale of investment advisory services of the investment adviser.

(3) Any individual who currently holds in good standing one of the following designations: Chartered Financial Analyst ("CFA") granted by the Association for Investment Management and Research; Chartered Financial Consultant ("ChFC") awarded by The American College, Bryn Mawr, Pennsylvania; Certified Financial Planner ("CFP") issued by the Certified Financial Planner Board of Standards, Inc.; Chartered Investment Counselor ("CIC") granted by the Investment Counsel Association of America; or Personal Financial Specialist ("PFS") administered by the American Institute of Certified Public Accountants.

An individual who has not been registered in any state for a period of two years is required to comply with the examination requirements unless the individual is using the exemption in CCR Section 260.236(c)(2) or (c)(3).

Individuals that must satisfy the qualification requirements set forth under CCR Section 260.236 can apply for the 2000 Series 65 Examination by filing the Uniform Examination Request for Non-NASD Candidates ("Form U-10") with the National Association of Securities Dealers ("NASD") at 9513 Key West Avenue, Rockville, MD 20850.

REPORTING REQUIREMENTS [CCR 260.236.1(b)]

(a) The reporting of an investment adviser representative is to be made by completing the Uniform Application for Securities Industry Registration or Transfer Form ("Form U-4") in accordance with the form instructions and by filing Form U-4 with the Central Registration Depository ("CRD") in accordance with its procedures, and by paying the \$25 reporting fee.

The filing of Form U-4 with CRD does not constitute an automatic approval of the filing by the Commissioner. An investment adviser representative "registration" with CRD is not considered approved until approved by the Commissioner and the approval has been received by CRD.

If requested by the Commissioner, additional information, documentation or detail pertaining to Form U-4 or the investment adviser representative's compliance with the qualification requirements must be filed directly with the Commissioner within 15 days from the date of the request. Form U-4 may be abandoned if the Commissioner does not receive the requested information within the time prescribed. The Commissioner will "reject" with CRD an abandoned Form U-4.

(b) Within thirty (30) days of any changes to the information contained in Form U-4, an amendment to Form U-4 should be filed with CRD. If Form U-4 is amended due to a disciplinary occurrence, a copy of the amendment must be filed directly with the Commissioner upon request.

(c) Within thirty (30) days after the termination of an individual as an investment adviser representative, the Uniform Termination Notice for Securities Industry Registration Form ("Form U-5") should be filed with CRD in accordance with the form instructions. Form U-5 should clearly state the reason(s) for termination. If an investment adviser representative is terminated for cause, Form U-5 must, upon request, be filed directly with the Commissioner.

4. SWITCHING FROM STATE TO SEC REGISTRATION

Upon registration with the Securities and Exchange Commission ("SEC"), any investment adviser licensed in California as an investment adviser should file Form ADV-W with IARD in accordance with instructions in Form ADV-W.